ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (AUDITED)

This is the Annual Financial Report of Herald Investment Trust plc as required to be published under DTR 4 of the UKLA Listing Rules.

Results and dividend

The net asset value (NAV) of the Company at 31 December 2019 was 1,668.1p per ordinary share (2018 – 1,307.9p). This represented an increase of 27.5% during the year. The discount was 11.3% (2018: 17.8%) and the share price increased by 37.7% to 1,480.0p.

The Company made a revenue profit of £31,000 (2018: £58,000) giving net earnings of 0.05p per share (2018: 0.08p) per share. The directors do not recommend a dividend (2018 – nil) for the year ended 31 December 2019.

The financial information set out in this Annual Financial Report does not constitute the Company's statutory accounts for 2018 or 2019. Statutory accounts for the years ended 31 December 2018 and 31 December 2019 have been reported on by the Independent Auditor. The Independent Auditors' Reports on the annual report and financial statements for 2018 and 2019 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The Company's statutory accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies. The Company's statutory accounts for the year ended 31 December 2019 will be delivered to the Registrar in due course.

The financial information in this Annual Financial Report has been prepared using 'FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102), which forms part of Generally Accepted Accounting Practice ('UK GAAP') issued by the Financial Reporting Council. The financial statements have also been prepared in accordance with The Companies Act 2006 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ('AIC') in October 2019.

STATISTICS AND PERFORMANCE – YEAR'S SUMMARY

	31 December 2019	31 December 2018	% change
Total net assets	**£1,122.8m**	£901.2m	
Shareholders' funds	**£1,122.8m**	£901.2m	
Net asset value per ordinary share*	**1,668.1p**	1,307.9p	27.5
Share price*	**1,480.0p**	1,075.0p	37.7
Numis Smaller Companies Index plus AIM (ex. investment companies) (capital only)	**5,842.6**	4,917.9	18.8
Russell 2000 (small cap) Technology Index (in sterling terms) (capital only)+	**3,359.5**	2,597.2	29.4
Dividend per ordinary share	**-**	-	
Profit per ordinary share (revenue)	**0.05p**	0.08p	
Ongoing charges*	**1.09%**	1.07%	
Discount to NAV*	**11.3%**	17.8%	

LONG TERM PERFORMANCE SUMMARY

The following table indicates how an investment in the Company has performed relative to its comparative index (applied retrospectively) and its underlying fully diluted net asset value over the period since inception of the Company.

	31 December 2019	Inception 16 February 1994	% change
Net asset value per ordinary share (including current year income)*	**1,668.13p**	98.70p	1,590.10
Net asset value per ordinary share (excluding current year income)*	**1,668.08p**	98.70p	1,590.05
Share price	**1,480.00p**	90.90p	1,528.16
Numis Smaller Companies Index plus AIM (ex. investment companies)	**5,842.58**	1,750.00	233.86
Russell 2000 (small cap) Technology Index (in sterling terms)+	**3,359.53**	688.70#	387.81

* Alternative Performance Measure – see pages 78 - 79 of the annual report and financial statements.
+Investments and indices valued at USD / GBP exchange rate of 1.325 at 31 December 2019 (2018: 1.275). The Russell 2000 (small cap) Technology Index was rebased during 2009 following some minor adjustments to its constituents. The rebased index is used from 31 December 2008 onwards.
At 9 April 1996 being the date funds were first available for international investment.

CHAIRMAN'S STATEMENT AND REVIEW OF 2019

PORTFOLIO PERFORMANCE

At the mid-year, we reported that the net asset value per share ("NAV") had grown 17.2%. By the year end, the Company's NAV per share growth had reached 27.5%. The growth in NAV for the year, which compares favourably with wider indices, reflected strong equity markets globally and good stock selection.

Of note was an unusually sharp divergence in performance between larger and smaller companies within our overall smaller companies remit: larger companies performed materially better than smaller ones. To illustrate this, the Company's investments with a market capitalisation in excess of $1bn at the year end had delivered a total return of 56.5%, with the investments with a market capitalisation below $1bn returning the lower but still good figure of 19.1%.

There is degree to which this divergence reflects success, because the good performers have grown; but the more significant factor this year is a much greater re-rating in the valuation basis. A crude measure of some relevance is the Bloomberg forecast of Enterprise Value to Sales: it is 5.0x on average for the holdings above $1bn, whereas the average for companies below $1bn is 2.8x.

The most significant effect on performance is provided by the UK, which accounts for 52.2% of the Company's total assets and has a much lower average market capitalisation. The total return from our UK portfolio was 30.2% which compares favourably with the Numis Smaller Companies Index plus AIM (ex investment companies) which returned 22.2%. Nevertheless, this market has not felt like a bull market at all because liquidity has been so poor. Indeed, volumes in AIM technology stocks across the market have fallen 70% over the last year. In a normal market cycle, we would expect the performance to filter down to much smaller companies in 2020 and 2019 should have been a good year for new issues, however it was not. The UK market had a double headwind; firstly political uncertainty which was significantly alleviated by the election because the UK portfolio appreciated 7.8% in December; secondly a withdrawal from illiquid assets, or at least avoidance of smaller companies, partly due to the regulatory shock of MiFID II and other issues. The latter may have an ongoing effect, which we have to monitor closely. However, the performance figures should reassure investors that shrinking markets can still be rewarding.

The North American region has delivered the strongest overall return reflecting a greater skew to the larger end of the remit. The total return from the North American portfolio was 39.5% versus the Russell 2000 (Small Cap) Technology Index (in sterling terms) returning 29.7%. It is interesting to observe that the large capitalisation Russell 1000 Technology Index returned 41.5%, so again smaller companies have materially underperformed their bigger brethren, but it is pleasing to have performed nearly as well as that latter index which is dominated by Apple and Microsoft, when they have performed so well. It is also pleasing that the UK performance, in spite of the microcap challenges has exceeded that of the US Russell 2000 Technology Index. Remarkably there were £62m in takeovers in the Company's North America portfolio, some of which have not completed, which is extraordinary versus a market value of £218m at the start of the year.

The Company's total return in Europe was 38.9% with three-quarters of the region's return by value coming from the three biggest holdings, BE Semiconductor, Data Respons and Nordic Semiconductor. The Asian total return was 29.3% with a particularly strong performance from Taiwan of 51.5%.

Cash has been a drag on the overall return. Cash levels were higher than planned at the start of 2019 reflecting a spate of takeovers, and a further £106m of takeovers have been announced during 2019. In both the UK and North America portfolios, sales exceeded purchases, and modest net cash was invested in EMEA and Asia. There were no completed takeovers in those regions, though by the year end one significant holding, Data Respons, agreed a takeover, which has not yet completed. Reinvestment has been measured and the Manager has taken profits in a number of holdings reflecting full valuations.

During the year share buyback transactions amounted to £20.3m or 2.3% of the equity outstanding at an average price (including costs) of £12.79 per share.

BOARD COMPOSITION AND GOVERNANCE

As anticipated at this time last year, Julian Cazalet retired from the board of the Company at the conclusion of the annual general meeting in April 2019 having chaired the board for ten years. We are very grateful for his leadership and his very substantial contribution to the Company's success.

Henrietta Marsh joined the board in September, bringing investment management background, with a particular focus on smaller companies, to further strengthen the board's expertise.

The Company undertook an audit tender process in 2019 and is pleased to report that PricewaterhouseCoopers LLP were appointed as auditor to the Company and have undertaken the 2019 audit.

OUTLOOK

Valuations are not as attractive as they have been, but the sector is still dynamic, and we believe continues to offer better opportunities than the wider market. The microcap end of the market offers conspicuously more interesting valuations. The closed-end nature of an investment trust makes it an ideal vehicle to access the Company's target market.

Ian Russell
Chairman
18 February 2020

INVESTMENT MANAGER'S REPORT

After a year of consolidation in 2018, I was confident that 2019 would be better, but candidly I am surprised by quite how strong the market has been. I was particularly apprehensive in the middle of the year when I was aware how dire liquidity was, particularly in the UK and Europe.

As Woodford's troubles emerged there was a spate of selling as investors tried to reduce holdings in illiquid stocks and the market was scarcely functioning. I feared distressed sellers would deliver a downward dislocation. Fortunately, the Woodford situation occurred against a very strong market background; otherwise, more damage could have been done.

Why, I wonder, has the market been so strong? I believe the main reason is that, while there is a shortage of capital in smaller quoted companies, there is a surplus in the hands of private equity. They are using cheap debt to leverage returns and exploit the anomaly that interest is tax deductible when dividends are not. They continue to pay significant premiums when acquiring quoted companies and gradually the quoted market is moving to their valuation levels. They have gathered assets by performing with leverage, which has worked in an era of declining and very low real interest rates.

From first principles, the ideal environment is for companies to have permanent capital and for investors to have perfect liquidity. That worked in the stock market and for the wider economy as well over extended periods. On the other hand, private equity is temporary capital, with short-term horizons, which while possibly driving markets higher in the short-term, will over time tend to undermine economies as more ownership goes into its hands.

The move to private equity ownership has been helped by the huge increase in costs and distraction from spiralling regulation in public markets, which is particularly onerous for developing businesses. For example, I estimate that of the 131 UK listed investments in the portfolio each has spent an additional £50,000 on investor relations by appointing a joint broker, commissioning independent research or, in extremis, employing an individual to do investor relations. On average Herald owns 4.2% of the outstanding capital of its UK holdings, so the share of those costs borne by our investors is c£275,000. This is a hidden cost not disclosed to investors. At the same time, we now have 17 holdings with no broker coverage, a further 64 with access to only one broker (including our largest US holding Pegasystems) and a further 62 holdings with access to research from only two brokers. This anecdote perhaps explains why MiFID II research payments are so confusing and challenging for us and why some investors and brokers are disappearing from the smaller companies' scene.

Similarly, audit fees are leaping, and it seems too much time is spent counting the blades of grass without intelligently viewing the lawn. We are jealous of the minimal scrutiny of the private equity world, but maybe in time investors will realise that minimal regulation is not ideal either. Wealth managers are facing ever increasing costs, which now have to be paid out of after-tax income when previously more of the cost was ascribed to capital. None but the richest investors can now afford tailor-made advice. When costs were pro-rata to dealing more of the cost was born by big investors and less by small investors.

In recent years the stock markets in the UK and the US have not provided the stable quality ownership that they did in the past and have not supported the UK technology sector. The quality long-term owners of defined benefit pension schemes and insurance companies have disappeared and the ebbs and flows of open-ended funds make them unstable shareholders for small companies. As allocations to quoted UK equities have fallen, investors have too easily accepted takeovers and failed to provide capital for companies to grow. In this challenging environment for smaller public companies, Herald has been a steadfast supporter of technology businesses. We have been made insiders for secondary fund raisings over 100 times in 2019 and we have participated in 62 placings with an aggregate value of £40m. There were other occasions when we would have participated or invested more had there been more co-investors as we are disciplined in ensuring that we generally do not exceed 10% ownership of the outstanding share capital. I am sure flows into passive investments are driving up some valuations; for liquidity reasons they should not and generally do not invest in smaller companies, but it is another slug of capital no longer available for small quoted companies. Clearly, they do not participate in new issues, nor in pricing shares efficiently.

Regional allocation changes (£'000)

	Valuation at 31 December 2018	Net acquisitions/ (disposals)	Amortisation	Appreciation/ (depreciation)	**Valuation at 31 December 2019**
Equities*					
UK	468,388	(17,386)	-	135,108	**586,110**
EMEA	45,364	4,650	-	17,364	**67,378**
North America	217,738	(36,793)	-	76,824	**257,769**
Asia Pacific	53,405	7,816	-	15,640	**76,861**
Total Equities	784,895	(41,713)	-	244,936	**988,118**
Government bonds	46,785	(2,438)	407	354	**45,108**
Total Investments	831,680	(44,151)	407	254,290	**1,033,226**
Net liquid assets	69,474	23,268	-	(3,119)	**89,623**
Total assets+	901,154	(20,883)	407	242,171	**1,122,849**

* Equities includes convertibles and warrants.

+ The total assets figure comprises assets less current liabilities.

On a more positive note there is relative value in the smallest companies. Capital is still hard to find where it is needed most, which is for emerging companies who have not yet reached profitability where venture capital has significantly lower cash to deploy compared to leveraged private equity. Furthermore, US investors, appreciating the value in the UK, are beginning to appear on the share registers of the smaller UK quoted companies, which may be the lifeline needed. I am reassured that the SEC has extended the exemption which allows US brokers to sell research to European firms by three years. There are therefore the building blocks in place, of attractive valuations and increasing capital availability, for a positive investment environment.

I remember when I started in the City during Thatcher's reign the atmosphere was "we need small companies to create wealth, added value jobs, taxes and future big companies", and there was an enthusiasm to allocate capital accordingly. It is within the Government's powers to direct UK savings to alleviate the disastrous decisions made over the last twenty years: after all, they provide a subsidy to pensions, ISAs and private equity. Now that we have left the EU, there is an opportunity for government to create a really positive environment for innovation and growth.

UK

The UK portfolio has returned 30.2%, outperforming the Numis Smaller Companies Index plus AIM (ex investment companies) (the "Numis Index") by 8%. The return from stocks with a market capitalisation exceeding $1bn was 77.3% which has driven the outperformance and was over 60% better than the smaller UK companies in the Company's portfolio. I note that fully listed UK stocks returned 54.5% and AIM stocks delivered 21.6%, so the bigger stocks in AIM contributed very strongly and I conclude that neither AIM nor politics is the issue, but rather the flight of capital from illiquid smaller companies. Of the top 73 holdings in the Company with a market capitalisation of over $1bn only 17 are in the UK with a market value of £185.4m but a book cost of only £41.7m. Therefore, on average, they have risen 4.5x, many having started as microcaps in the portfolio.

The number of takeovers in the UK was eight with an aggregate value of £38.1m which is a lower rate than recent years, being only 8.1% of the UK portfolio at the start of 2019. The most significant takeover was Statpro, in which the

Company had an 11% stake. We went above our customary 10% threshold when they could not draw on their overdraft facility when Kaupthing went bankrupt. We, along with Statpro's Directors, provided emergency funding. We first invested in May 2000 in an early stage IPO when it was a struggle to find value in the technology bubble. I am sorry to see the company go, but pleased to say the return over the life of the holding is 1,018.5%. Of the cumulative £13.8m total return over the history of the holding, £9.2m was in 2019 with the takeover premium. People detached from investing may ask "why did you not buy them at the beginning of 2019"? Two reasons. Firstly, an 11% stake would not have been available and, secondly, the company would not have floated and survived if we had not provided it with necessary capital. Unfortunately, there are not enough other long-term investors around. I suspect there were few technology investments made in May 2000 that delivered that sort of return, albeit over nearly 20 years. Scisys was another company where Herald was the largest outside shareholder with an 8.2% stake. It is under offer, as is Sophos.

The star performers have been GB Group and Future which both returned more than £20m during the year and have been strong long-term performers, dwarfing the disappointments from M&C Saatchi and LoopUp.

There are currently a few unlisted holdings with an aggregate value of £15.1m. Some are unlisted securities which are convertible into quoted ones (35.7% of £15.1m) and others are previously quoted companies that have delisted (11.2% Fusionex and Celoxica). There are two further private companies which are also held within Herald Ventures, Natilik and Antenova, accounting for 19.8%. Both are profitable and paying dividends. The board has approved a limited scope to invest in private companies and we have a natural flow of opportunities. If we believe better returns can be achieved here, we would consider asking directors and shareholders for greater flexibility but have no current plans to do so. The remaining private investment is the holding in the management company.

Since inception the UK has been the core driver of the Company's performance, but over the last five years the UK has lagged the returns from North America and Europe. Even so, the total return in the UK has been 105.5% over that period, while the Numis Index has returned 52.4% and the AIM Technology Index a similar amount.

North America

The North American portfolio's return (in sterling terms) was 39.5%, some 10% ahead of the Russell 2000 Technology Index. Smaller companies in the US materially underperformed the Company's overall return for many years post the technology bubble of 2000, but have outperformed from 2014. The Company's North American portfolio has returned 171.4% (in sterling terms) over the last five years, with the Russell 2000 Technology Index returning 135.4% over the same period: 36.0% ahead. The total return of the large company Russell 1000 Technology Index has returned 181.4%.

I should be thrilled if we can sustain that degree of outperformance, but a legitimate question is why we have not had a higher US weighting. There were two factors: takeovers and valuations.

At the beginning of 2015, the value of the North American portfolio was £144m and, by coincidence, the aggregate value of US takeovers in the last five years has also been £144m. Of that, £62m is the value of takeovers in 2019 alone, including Mellanox and Fitbit which have not yet completed. Some 20.4% of the North American portfolio at the start of 2019 has been acquired in the last year. The significant takeovers were Attunity (£17.3m), Mellanox (£16.8m), Amber Road (£9.4m), Hydrogenics (£6.7m) and Quantenna (£5.4m). We took an initial position in Attunity in 2014, and the Company cornerstoned a secondary offering in December 2017 investing $4.75m, which I had the confidence to do having known the management with a modest holding for three years. The take-out price of $23.5 per share, by private equity house Thoma Bravo seems a good return in just over a year, but one of my colleagues saw them at a Gartner conference recently and exclaimed on his return that we were robbed, because revenues had grown 100%.

We are sad to be losing Mellanox as well. The total return has been 9x the initial book cost and the exit valuation is somewhat disappointing. It takes time and patience to find similar opportunities.

As well as losing some holdings to takeovers in North America, we took profits in some where we believed that the stocks had run too far. In aggregate we sold £67m of North American stocks, offset by £30m of purchases. The cash from sales and takeovers has come in with the market at elevated levels, and we believe that there will be better buying opportunities in the US. Private equity is sweeping up value, but some of the momentum stocks in the SAAS (software as a service) area were on uncomfortably high valuations with EV/sales values as high as 30x. There is a resourcing bubble in California and stock-based compensation, meaning free shares, are being liberally doled out, but normally stripped out of "adjusted EPS" numbers. There were signs in the second half that the market is beginning to worry about this too and valuations have corrected a little. Analysts almost never take account of share-based payments in earnings forecasts, which means there is a material overstatement of earnings and therefore understatement of the P/E ratio. This is a particular problem in the software sector, but not in semiconductors. I am therefore unsurprised that semiconductors have performed relatively well.

There are 22 stocks in the portfolio with an aggregate value of £170m which exceed $3bn market capitalisation, which is the level above which we do not make new or further investments. Of these, 13 are in North America with an aggregate value of £95.5m which is an anomalously large proportion (37%) of the North American portfolio. The aggregate cost base for these holdings is only £19.3m, so the average return is nearly 5x. In addition, £14m profit has been realised already. The star performers have been Pegasystems, Mellanox, Descartes and Five9. LivePerson and Hydrogenics are smaller companies which have contributed strongly this year.

The high levels of takeovers in the Company's North American market investment universe has been reflected in a sharp decline in the number of listed technology companies because takeovers have exceeded IPOs. At the beginning of 2019 the number of stocks in the Bloomberg Communications and Technology sectors in the United States with a market capitalisation >$20m and <$3bn was 616 and this had fallen to 535 by the year end, albeit the number of companies above $3bn market capitalisation had grown from 235 to 267. The trend in recent years has been for venture backed companies to have more fund raising rounds pre-IPO. The much discussed "Unicorns" such as Uber, Airbnb, Slack, WeWork et al were private companies raising money with rounds at >$1bn valuation.

It is interesting that some of these have crawled to market in a dull way or failed to IPO. Those private valuations were too high. Furthermore, Spotify and Slack pioneered an introduction to the market without a fund raising. Slack's share price, for example, reached $38.6 when it first listed and traded at $22 at the year-end. It still has a market value way above our smaller companies remit at $12.4bn, which is eye-watering compared to forecast sales of $622m for the year to March 2020 and a huge loss-making margin of over 20% of EBIT. Presumably some of the stock has been acquired by passive investors? These late stage venture investors must be careful to leave something on the table to attract public investors or exits will be difficult. Examples like this may make the pre-IPO fashion fade, while leveraged private equity will stumble when interest rates rise.

EMEA

The European portfolio had a tricky year in 2018 led by the semiconductor downturn (including the largest holding BE Semiconductor Industries), but 2019 has seen a good recovery. The total return for 2019 was 38.9% and over 5 years it has been 181% in sterling terms, which makes it the best performing region. Data Respons is a Norwegian holding acquired in 2014 and a French company Akka has agreed to acquire it. It is a pity to lose a holding with a known and respected management team, but it has helped short-term performance.

Asia

The Asian portfolio has returned 29.3% in sterling terms this year and 78.3% over 5 years. Within the year, the Kosdaq IT Index in Korea rose 6.3%, the larger company TWSE Electronics Index in Taiwan increased 40.8% and the Mothers General Small Companies Index in Japan was up 8.9%. Performance across the Asian indices was disparate between countries and between the first and second half of the year.

In general, China and Hong Kong equity markets had a volatile and challenging year due to the negative impact on GDP of Trump's tariff war with China and the civil disturbance in Hong Kong. The Australian market had a stellar start to the year rising around 50% in sterling terms by mid July 2019 before giving up a decent proportion of these gains by the year end. By contrast the TWSE Electronic Index (the "TWSEE Index") had modest gains in the first half but rose strongly in the second half to return 40.8% for the full year – one of the highest returns from any index worldwide. The Taiwanese portfolio holdings surpassed the TWSEE Index with a 51.5% return in the year. The stock market excitement in Taiwan is focused around two concepts; firstly the adoption of 5G wireless technology increasing the demand for Taiwanese hardware and semiconductors and secondly demand for components from Chinese companies desperate to switch away from American suppliers as a result of the US-China trade war. As with all concepts the reality can disappoint and with a number of the Taiwanese holdings near record valuations there is a temptation to realise some gains. The biggest contribution in the year came from Realtek, a Taiwanese semiconductor company that benefitted from strong demand for its RF semiconductors, particularly for use in wireless audio earbuds.

The approach within the Asian portfolio is to continue to diversify away from the hardware business models common in Korea and Taiwan by unearthing opportunities and allocating capital to interesting small companies in countries such as Australia and Japan, both of which have a good flow of IPOs coming to market.

Sector Background

We remain enthusiastic about the outlook for investing in the technology sector. Cloud computing and ubiquitous connectivity will continue to drive disruption across different sectors, creating opportunities for technology companies. Although we expect trade tensions and regulatory concerns to continue to cause short-term volatility, ultimately the sector is among the few which is investing heavily in innovation, creating high value employment and bringing benefits to consumers, enterprises and governments around the world and generating attractive returns in the process.

The concept of IT as a utility has been talked about since the mid 1990s. However, it was with the wide acceptance of opensource software post 2000, the availability of mobile data networks in the mid-2000s, the launch of Amazon's AWS in 2006 and the launch of the Apple App store in 2008 that the pieces of the puzzle were in place for the concept to go mainstream. Today we call that utility model "Cloud Computing."

We are 10+ years into the adoption of Cloud Computing. The size of the market is very large but growth rates remain robust. Gartner Group estimate Public Cloud revenues to grow from $227bn in 2019 to over $350bn in 2022 (source: Gartner). Moreover, we see the adoption of Cloud Computing disrupting about $1tr of the current annual spending on legacy systems.

The move to Cloud Computing is disproportionately beneficial for smaller companies. It gives them access to a global resilient IT infrastructure at arguably less than 1% of cost of having to build it themselves, and the added benefit that they can flexibly scale their businesses up and down efficiently and with low risk. Additionally, this allows small companies to target niche markets around the world efficiently.

In the same way that the internet democratised information flow and we are still grappling with its second and third order effects, Cloud Computing and Ubiquitous Connectivity continue to democratise software development across different end markets with changing second and third order effects.

Investing in technology gives us a front seat to see the ripples and aftershocks of seemingly unconnected small innovations which often combine to create tectonic shifts across different industries. Regardless of the source of the innovations, smaller companies and the entrepreneurs behind them tend to be the first ones to exploit the nascent opportunities throughout global supply chains.

With time and relentlessly excellent execution, leaders emerge to dominate fragmented, newly created markets. This has been the story of most of the tech titans of today, e.g. Microsoft, Apple, TSMC, Google, Facebook, Amazon, ASML and SAP. We have seen this pattern repeated again and again over the last three decades. We do not see any sign of it changing in the foreseeable future.

Environmental Impact

In a world of limited resources and growing environmental and social concerns, it is worth highlighting that a number of the technology companies have taken it upon themselves to be standard-bearers, raising the environmental and social bars for all. For example, Apple is using 100% renewable energy for all of the electricity used by its facilities around the world and is striving to make products using 100% recycled and renewable materials.

Sector Performance* (£m)

	Market value equity portfolio 31 Dec 2019	**% of equity portfolio 31 Dec 2019**	**Total return equity portfolio 31 Dec 2019**	Total return equity portfolio 31 Dec 2018
Software	**256.7**	**26.0**	**57.6**	29.8
Computer Services	**125.8**	**12.7**	**43.3**	-8.8
Semiconductors	**99.9**	**10.1**	**30.8**	-39.4
Media Agencies	**71.1**	**7.2**	**2.2**	-16.1
Publishing	**67.0**	**6.8**	**30.1**	-0.4
Telecommunications Equipment	**61.6**	**6.2**	**6.5**	4.9
Internet	**46.6**	**4.7**	**7.8**	-13.9
Electrical Components & Equipment	**38.2**	**3.9**	**11.9**	3.3
Computer Hardware	**25.8**	**2.6**	**6.7**	-3.0
Business Support Services	**16.9**	**1.7**	**1.9**	0.1
Fixed Line Telecommunications	**15.0**	**1.5**	**4.4**	5.2

Other	**163.5**	**16.6**	**51.5**	-4.7
Total	**988.1**	**100.0%**	**254.7**	-43.0

* Industry Classification Benchmark – Subsector.

Apple imposes its own exacting standards on all of its suppliers and the suppliers of their suppliers. Apple's lead in this area has spurred others such as Google, Microsoft, Amazon to also up their efforts. So although the US government, driven by corporate lobbies, drags its feet on environmental commitments, this has not stopped the leading US technology companies from rapidly raising standards across their supply chains around the world. This leads small companies which are customers and/or suppliers of the large companies to also become progressively more environmentally efficient.

"We're sourcing 100% renewable energy for all the electricity used at our facilities in 43 countries around the world. Two thirds of this renewable energy comes from Apple-created projects."

"We take responsibility for our entire carbon footprint. That includes the emissions beyond our direct control, like those from sourcing materials, making our products, and our customers using their devices."

"Partners across our supply chain are installing or investing in sizable solar projects and purchasing clean energy directly from renewable projects or from their utility. As of April 2019, 44 manufacturing partners in 16 countries have committed to 100% renewable energy for Apple production"

Apple Environmental Responsibility Report, 2019

Coronavirus

The technology sector will be significantly affected if Coronavirus continues to disrupt manufacturing in China. Although the direct exposure to Chinese companies is minimal, the indirect effect could be significant. In particular, a handful of holdings in each region manufacture products there, either with Chinese operations, or through subcontractors and suppliers, and many more companies use PCs and servers which are at least in part manufactured there. However, the knock-on effects will be felt in many sectors if the cessation of production is prolonged, and at this stage that is uncertain.

Prospects

We remain confident that there is growth in the sector above that of the wider economy and that much of the sector now has non-cyclical spending. In particular, the recurring revenues associated with IT infrastructure and applications, used by corporations, the consumer and governments alike, have the defensive characteristics of utilities without the regulatory issues, which benefit so many companies within our universe. However, the geopolitical uncertainties, the illiquidity associated with smaller companies and valuation levels which will be vulnerable when interest rates rise, means that we prefer to keep higher than normal cash levels to ensure we can exploit buying opportunities, which will inevitably occur. For reassurance, valuations are in general not in bubble territory and the difficulty which central banks have in raising interest rates means there is a good chance that valuations could rise further.

Katie Potts
Fund Manager
18 February 2020

CLASSIFICATION OF INVESTMENTS

Classification*	UK %	EMEA %	North America %	Japan & Asia Pacific %	2019 Total %	2018 Total %
OIL & GAS	**0.9**	**-**	**0.3**	**-**	**1.2**	**0.8**
Alternative Energy	0.9	-	0.3	-	1.2	0.8
BASIC MATERIALS	**0.1**	**-**	**-**	**0.2**	**0.3**	**0.5**
Chemicals	0.1	-	-	0.2	0.3	0.5
INDUSTRIALS	**8.4**	**0.1**	**1.4**	**1.0**	**10.9**	**10.2**
Construction & Materials	0.1	-	-	-	0.1	0.3
Aerospace & Defence	0.9	-	-	-	0.9	0.6
Electronic & Electrical Equipment	3.0	0.1	1.0	0.2	4.3	4.3
Industrial Engineering	-	-	-	0.1	0.1	0.1
Support Services	4.4	-	0.4	0.7	5.5	4.9
CONSUMER GOODS	**0.8**	**-**	**0.5**	**-**	**1.3**	**1.1**
Leisure Goods	0.8	-	0.5	-	1.3	1.1
HEALTH CARE	**1.3**	**0.1**	**-**	**0.1**	**1.5**	**1.0**
Health Care Equipment & Services	1.2	0.1	-	0.1	1.4	0.9
Pharmaceuticals & Biotechnology	0.1	-	-	-	0.1	0.1
CONSUMER SERVICES	**12.6**	**-**	**0.4**	**1.2**	**14.2**	**12.9**
General Retailers	-	-	-	0.4	0.4	0.5
Media	12.4	-	0.4	0.5	13.3	12.1
Travel & Leisure	0.2	-	-	0.3	0.5	0.3
TELECOMMUNICATIONS	**1.4**	**0.1**	**-**	**0.1**	**1.6**	**2.4**
Fixed Line Telecommunications	1.2	-	-	0.1	1.3	1.9
Mobile Telecommunications	0.2	0.1	-	-	0.3	0.5
UTILITIES	**0.1**	**-**	**-**	**-**	**0.1**	**0.3**
Electricity	0.1	-	-	-	0.1	0.3
FINANCIALS	**1.6**	**-**	**0.1**	**0.3**	**2.0**	**2.0**
Financial Services	0.4	-	0.1	0.3	0.8	0.8
Equity Investment Instruments	1.2	-	-	-	1.2	1.2
TECHNOLOGY	**25.0**	**5.7**	**20.3**	**3.9**	**54.9**	**55.9**
Software & Computer Services	20.3	3.6	12.3	2.1	38.3	39.7
Technology Hardware & Equipment	4.7	2.1	8.0	1.8	16.6	16.2
TOTAL EQUITIES (including convertibles and warrants)	**52.2**	**6.0**	**23.0**	**6.8**	**88.0**	**-**
Total equities – 2018 (including convertibles and warrants)	52.0	5.0	24.2	5.9	-	**87.1**
BONDS	**-**	**-**	**4.0**	**-**	**4.0**	**5.2**
NET LIQUID ASSETS**	**4.9**	**0.7**	**1.8**	**0.6**	**8.0**	**7.7**
TOTAL ASSETS	**57.1**	**6.7**	**28.8**	**7.4**	**100.0**	**-**
Total assets - 2018	55.7	6.1	32.1	6.1	-	**100.0**
SHAREHOLDERS' FUNDS	**57.1**	**6.7**	**28.8**	**7.4**	**100.0**	**-**
Shareholders' Funds - 2018	55.7	6.1	32.1	6.1	-	**100.0**
Number of equity investments (including convertibles and warrants)	139	26	68	55	**288**	**285**

*FTSE Russell Industry Classification Benchmark.

**Cash, current assets and liabilities.

TOP 20 EQUITY HOLDINGS
AS AT 31 DECEMBER 2019

A brief description of the twenty largest equity holdings in companies is as follows:

GB Group		
GB Group (GBG) offers a series of solutions that help organisations quickly validate and verify the identity and location of their customers. GBG's products are built on an unparalleled breadth of data obtained from over 270 global partners which in conjunction with GBG's innovative technology leads the world in location intelligence, fraud detection and enables GBG to verify the identity of 4.4 billion people across 72 countries. GBG is headquartered in the UK, with over 1,000 employees across 18 countries. They work with clients, including some of the best-known businesses around the world, ranging from US e-commerce giants to Asia's biggest banks and European household brands.		£43.3m Valuation 3.9% Of total assets 2.9% Of issued share capital held £3.3m Book cost

Diploma		
Diploma is a group of specialised distribution businesses serving industries with long term growth potential and with the opportunity for sustainable superior margins through delivering quality customer service, deep technical support and value-adding activities. The three sectors the company focuses on are life sciences, seals and controls.		£32.4m Valuation 2.9% Of total assets 1.4% Of issued share capital held £1.1m Book cost

Future		
Future is a global multi-platform media company, organised into two divisions, Media and Magazines. The Media division focuses on being at the forefront of digital innovation with three complementary revenue streams: eCommerce, events and digital advertising. It operates in a number of sectors, including the growing technology and games markets, and has a number of leading brands, including TechRadar, PC Gamer, GamesRadar+, Digital Photographer, Generate and Golden Joysticks. The Magazine division creates specialist magazines and bookazines, with 80 magazines and over 568 bookazines published a year, with a total global circulation of over 1.4 million. The Magazine portfolio spans technology, games and entertainment, music, creative and photography, field sports, hobbies & knowledge and home interest verticals. Its titles include T3, Total Film, How It Works, Edge and All About History. Future has 1,200+ employees, working in 7 consumer and 7 B2B verticals, across 7 offices worldwide.		£26.1m Valuation 2.3% Of total assets 1.8% Of issued share capital held £6.0m Book cost

Next Fifteen Communications		
Next Fifteen Communications (Next 15) is a family of marketing businesses spanning digital content, PR, consumer, technology, marketing software, market research, public affairs and policy communications. Founded in 1981, Next 15 are centred on the technology of marketing: data, insight, analytics, apps, content platforms and content itself.		£20.2m Valuation 1.8% Of total assets 4.4% Of issued share capital held £2.4m Book cost

Pegasystems		
Pegasystems (Pega) is the leader in software for customer engagement and operational excellence. Pega's adaptive, cloud-architected software – built on its unified Pega Platform – empowers people to rapidly deploy and easily extend and change applications to meet strategic business needs. Over its 35-year history, Pega has delivered award-winning capabilities in customer relations management (CRM) and digital process automation (DPA) powered by advanced artificial intelligence and robotic automation, to help the world's leading brands achieve breakthrough business results.		£19.1m Valuation 1.7% Of total assets 0.4% Of issued share capital held £1.6m Book cost

YouGov		
YouGov is an international research data and analytics group. The core offering of opinion data is derived from a participative panel of 8 million people worldwide. This continuous stream of data is combined with deep research expertise and broad industry experience into a systematic research and marketing platform. The suite of syndicated, proprietary data products includes YouGov BrandIndex, the daily brand perception tracker, and YouGov Profiles, a planning and segmentation tool. YouGov Omnibus provides a fast and cost-effective service for obtaining answers to research questions from both national and selected samples. With operations in the UK, North America, Mainland Europe, the Nordics, the Middle East and Asia Pacific, YouGov has one of the world's largest research networks.		£18.8m Valuation 1.7% Of total assets 2.8% Of issued share capital held £3.0m Book cost
Mellanox Technologies		
Mellanox Technologies is a leading supplier of end-to-end Ethernet and InfiniBand intelligent interconnect solutions and services for servers, storage, and hyper-converged infrastructure. Mellanox intelligent interconnect solutions increase datacentre efficiency by providing the highest throughput and lowest latency, delivering data faster to applications and unlocking system performance. Mellanox offers a choice of high-performance solutions: network and multicore processors, network adapters, switches, cables, software and silicon, that accelerate application runtime and maximise business results for a wide range of markets including high performance computing, enterprise datacentres, Web 2.0, cloud, storage, network security, telecom and financial services. Founded in 1999, Mellanox Technologies is headquartered in Sunnyvale, California and Yokneam, Israel. On 11th March 2019 NVIDIA and Mellanox announced that they had reached an agreement under which NVIDIA will acquire Mellanox for $125 per share in cash. The acquisition will unite two of the world's leading companies in high performance computing (HPC). Together, NVIDIA's computing platform and Mellanox's interconnects power over 250 of the world's TOP500 supercomputers and have every major cloud service provider and computer maker as customers.		£15.8m Valuation 1.4% Of total assets 0.3% Of issued share capital held £2.0m Book cost

Descartes Systems		
Descartes Systems (Descartes) is a leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses. Customers use Descartes' modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Descartes headquarters are in Waterloo, Ontario, Canada and they have offices and partners around the world.		£14.7m Valuation 1.3% Of total assets 0.5% Of issued share capital held £0.9m Book cost

Radware		
Radware is a global leader of cyber security and application delivery solutions for physical, cloud, and software defined data centres. Its award-winning solutions portfolio secures the digital experience by providing infrastructure, application, and corporate IT protection and availability services to enterprises globally. Radware's solutions empower more than 12,500 enterprise and carrier customers worldwide to adapt to market challenges quickly, maintain business continuity and achieve maximum productivity while keeping costs down.		£14.0m Valuation 1.2% Of total assets 1.5% Of issued share capital held £4.5m Book cost

LivePerson		
LiveEngage, the company's enterprise-class platform, empowers consumers to stop wasting time on hold with 1-800 numbers and, instead, message their favourite brands just as they do with friends and family. More than 18,000 businesses, including HSBC, Orange, GM Financial, and The Home Depot, rely on the unparalleled intelligence, security, and scalability of LiveEngage to reduce costs, increase lifetime value, and create meaningful connections with consumers. LivePerson has been innovating digital connections between brands and consumers for more than 20 years, starting with the invention of live chat on websites by LivePersons's founder and CEO, Robert LoCascio, in 1995. Since then, it's been driving consumer communication technology through the evolution of predictive intelligence and customer transcript insights. LivePerson is driving today's new era of messaging, conversational design, and the integration of bots/AI into the customer care of the world's largest brands. These conversational commerce solutions orchestrate humans and AI, at scale, and create a convenient, personal relationship − a conversational relationship with millions of consumers worldwide.		£14.0m Valuation 1.2% Of total assets 0.8% Of issued share capital held £3.4m Book cost

Telecom Plus		
Telecom Plus, which owns and operates the Utility Warehouse brand, is the UK's only fully integrated provider of a wide range of competitively priced utility services spanning the communications, energy and insurance markets. Customers ('Members') benefit from the convenience of a single monthly bill, consistently good value across all their utilities and superior levels of customer service. The Company does not advertise, relying instead on "word of mouth" recommendation by existing satisfied Members and a network of part-time distributors in order to grow its market share.		£13.8m Valuation 1.2% Of total assets 1.2% Of issued share capital held £3.5m Book cost

Silicon Motion Technology		
Silicon Motion Technology is a global leader in developing NAND flash controllers for SSDs and other solid-state storage devices and has over 20 years of experience developing specialised processor ICs that manage NAND components and deliver high-performance storage solutions. Silicon Motion has one of the broadest portfolios of NAND controller intellectual property, enabling the design of highly optimised configurable IC plus related firmware controller platforms and complete turnkey controller solutions. In the last ten years, Silicon Motion have shipped over five billion controllers, more than any other company. More NAND flash components, including 64-, 72- and 96-layer 3D TLC and QLC flash produced by Intel, Micron, Samsung, SK Hynix, Toshiba and Western Digital, are supported by Silicon Motion controllers than any other company. Customers include most of the NAND flash makers, storage device module makers, hyperscalers and other OEMs. Silicon Motion are the world's leading merchant supplier of SSD controllers used in PCs and a leading merchant supplier of eMMC/UFS controllers used in smartphones. Silicon Motion also supplies customised highcapacity specialty SSD solutions for the Chinese hyperscale data centre market and small single-chip form-factor SSDs for high-performance industrial, commercial and automotive applications. Silicon Motion was founded in 1995 in San Jose, California and now operates from corporate offices in Hong Kong, Taiwan and the US.		£13.7m Valuation 1.2% Of total assets 1.0% Of issued share capital held £1.7m Book cost

Aptitude		
Aptitude Software (Aptitude) provides software solutions that enable finance professionals to run their global businesses, forecast decision outcomes and comply with complex regulations. Uniquely combining deep finance expertise and IP rich technology, Aptitude gives finance leaders the tools they need to transform their business and achieve their ambitions. Aptitude has served the office of finance for over 20 years, delivering financial control and insight to create a world of financial confidence for their global clients.		£13.3m Valuation 1.2% Of total assets 3.8% Of issued share capital held £2.5m Book cost

Aptitude is headquartered in London.		

Five9		
Five9 is a leading provider of cloud software for contact centres and facilitates more than five billion call minutes annually. Since the Company's inception, it has exclusively focused on delivering its platform in the cloud and disrupting a significantly large market by replacing legacy on-premise contact centre systems. The Company's purpose-built, highly scalable and secure Virtual Contact Center, or VCC, cloud platform delivers a comprehensive suite of easy-to-use applications that allows simultaneous management and optimisation of customer interactions across voice, chat, email, web, social media and mobile channels, either directly or through application programming interface. Delivered on-demand, the solution enables clients to quickly deploy agent seats in any geographic location with only a computer, headset and broadband Internet connection, and rapidly adjust the number of contact centre agent seats in response to changing business requirements. Five9's mission is to empower organisations to transform their contact centres into customer engagement centres of excellence, while improving business agility and significantly lowering the cost and complexity of their contact centre operations.		£11.7m Valuation 1.0% Of total assets 0.4% Of issued share capital held £0.7m Book cost

Craneware		
Craneware is the leader in automated value cycle solutions that improve financial performance for healthcare organisations. Craneware's market-driven, SaaS solutions help hospitals and other healthcare providers more effectively price, charge, code and retain earned revenue for patient care services and supplies. Craneware's Cost & Margin Analytics solutions allows healthcare providers to determine true cost of care and profitability analysis across patient episodes and provider department performance. These solutions allow providers to compliantly optimise reimbursement, gain true cost and margin visibility, increase operational efficiency and minimise compliance risk. Craneware is recognised as the leading provider of revenue integrity solutions that improve financial performance in the U.S. hospital and health system markets. Founded in May 1999 by CEO Keith Neilson and co-founder Gordon Craig, Craneware launched its first product in October 1999. Today Craneware employs 300 staff, serving almost one third of all U.S. registered hospitals.		£11.6m Valuation 1.0% Of total assets 1.9% Of issued share capital held £1.5m Book cost

Euromoney Institutional Investor		
Euromoney Institutional Investor (Euromoney) is a global information business providing essential B2B information to global and specialist markets. Euromoney provides price discovery, market intelligence and events across our segments. The strategy is to manage a portfolio of businesses in markets where information, data and convening market participants are valued by clients. The Group is now organised into the following three segments: Data & Market Intelligence; Pricing; and Asset Management (under strategic review). The Data & Market Intelligence business provides market intelligence, thought leadership, news, training and events that are critical for Euromoney's clients' business processes and workflow across a number of industries. The Pricing segment provides price discovery, reporting, intelligence and events for the global commodity markets. The Asset Management segment includes the brands and businesses that serve the global asset management industry. It provides independent research that enables Euromoney's clients to make informed investment decisions.		£11.0m Valuation 1.0% Of total assets 0.8% Of issued share capital held £1.6m Book cost

Idox		

Idox is a leading supplier of digital software and services to a diverse customer base spanning both the UK and international markets, supporting businesses across a wide range of sectors including Public Services, Engineering, Content and Commercial. Idox's core business is providing digital solutions and services to the public sector in the United Kingdom, including Government departments and agencies, local government, the police and emergency services, health and social care, transport and education. The Content business is primarily in Europe and the Engineering Information Management business services customers across the world.		£10.7m Valuation 0.9% Of total assets 7.0% Of issued share capital held £4.9m Book cost

BE Semiconductor Industries		
BE Semiconductor Industries (Besi) is a leading supplier of semiconductor assembly equipment for the global semiconductor and electronics industries offering high levels of accuracy, productivity and reliability at a low cost of ownership. The Company develops leading edge assembly processes and equipment for lead frame, substrate and wafer level packaging applications in a wide range of end-user markets including electronics, mobile internet, cloud server, computing, automotive, industrial, LED and solar energy. Customers are primarily leading semiconductor manufacturers, assembly subcontractors and electronics and industrial companies. Besi's assembly equipment product portfolio is primarily designed and developed in Europe and manufactured in Asia. The principal brand names for Besi's assembly equipment systems include Datacon, Esec, Fico and Meco. Besi's headquarters are located in Duiven, the Netherlands.		£10.2m Valuation 0.9% Of total assets 0.4% Of issued share capital held £0.9m Book cost

Spirent Communications		
Spirent Communications (Spirent) is a leader in providing testing, assurance, analytics, and security solutions to assure the capabilities and performance of networks, network equipment, devices, and services. Spirent's customers operate in markets characterised by relentless traffic growth, ever increasing security challenges and continual pressure to innovate while generating revenue and managing operating costs. Spirent's broad portfolio of innovative products and services is organised into three operating segments. Spirent's Networks and Security, Connected Devices and Lifecycle Service Assurance divisions support customers' needs across the entire technology lifecycle from proof of concept to subscriber experience. Spirent has more than 1,700 customers worldwide which range from physical and virtual service provider networks and enterprise data centres to mobile communications and connected vehicle device manufacturers.		£10.0m Valuation 0.9% Of total assets 0.7% Of issued share capital held £3.7m Book cost

Bango		
Formed in 1999, Bango was a pioneer of mobile internet payments, partnering with leading operators to launch 'charge to mobile phone bill' services and opening-up mobile payments to early adopters and major content publishers. From this base Bango developed carrier billing for app stores, Bango launched the first Google Play carrier billing deployments in Africa and Latin America in 2015. Bango Boost and Bango Dashboard services were then launched that have helped grow the number of paying carrier billing customers and increase payment success. Today Bango has an addressable base of over 1.7bn mobile phone subscribers and the Bango Platform is designed to ensure that payment can be collected and transactions analysed for any content or service, sold from any internet enabled device, using any alternative payment method. Bango's headquarters are located in Cambridge in the United Kingdom.		£9.9m Valuation 0.9% Of total assets 11.2% Of issued share capital held £6.8m Book cost

INCOME STATEMENT

	2019 Revenue £'000	**2019 Capital £'000**	**2019 Total £'000**	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Gains/(losses) on investments	**-**	**245,174**	**245,174**	-	(50,436)	(50,436)
Currency (losses)/gains	**-**	**(3,119)**	**(3,119)**	-	2,048	2,048
Income	**11,735**	**-**	**11,735**	11,250	-	11,250
Investment management fee	**(10,537)**	**-**	**(10,537)**	(10,050)	-	(10,050)
Other administrative expenses	**(779)**	**(54)**	**(833)**	(719)	(7)	(726)
Profit/(loss) before finance costs and taxation	**419**	**242,001**	**242,420**	481	(48,395)	(47,914)
Finance costs of borrowings	**(156)**	**-**	**(156)**	(156)	-	(156)
Profit/(loss) before taxation	**263**	**242,001**	**242,264**	325	(48,395)	(48,070)
Taxation	**(232)**	**-**	**(232)**	(267)	-	(267)
Profit/(loss) after taxation	**31**	**242,001**	**242,032**	58	(48,395)	(48,337)
Profit/(loss) per ordinary shares (basic and diluted)	**0.05p**	**355.30p**	**355.35p**	0.08p	(69.67p)	(69.59p)

There is no final dividend proposed (2018 – nil). More information on dividend distributions can be found in note 7 of the annual report and financial statements.

The total column of this statement is the profit and loss account of the Company, prepared in accordance with UK Accounting Standards.

The profit/(loss) after taxation is the total comprehensive income and therefore no additional statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year.

BALANCE SHEET
AT 31 DECEMBER

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets				
Investments held at fair value through profit or loss		**1,033,226**		831,680
Current assets				
Cash and cash equivalents	**88,843**		68,860	
Other receivables	**1,995**		1,575	
	90,838		70,435	
Current liabilities				
Other payables	**(1,215)**		(961)	
	(1,215)		(961)	
Net current assets		**89,623**		69,474
TOTAL NET ASSETS		**1,122,849**		901,154
Capital and reserves				
Called up share capital		**16,828**		17,225
Share premium		**73,738**		73,738
Capital redemption reserve		**5,124**		4,727
Capital reserve		**1,025,909**		804,245
Revenue reserve		**1,250**		1,219
SHAREHOLDERS' FUNDS		**1,122,849**		901,154
NET ASSET VALUE PER ORDINARY SHARE (including current year revenue)		**1,668.13p**		1,307.89p
NET ASSET VALUE PER ORDINARY SHARE (excluding current year revenue)		**1,668.08p**		1,307.81p

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Share-holders' funds £'000
Shareholders' funds at 1 January 2019	**17,225**	**73,738**	**4,727**	**804,245**	**1,219**	**901,154**
Profit after taxation	**–**	**–**	**–**	**242,001**	**31**	**242,032**
Shares purchased for cancellation	**(397)**	**–**	**397**	**(20,337)**	**–**	**(20,337)**
Shareholders' funds at 31 December 2019	**16,828**	**73,738**	**5,124**	**1,025,909**	**1,250**	**1,122,849**

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Share-holders' funds £'000
Shareholders' funds at 1 January 2018	17,577	73,738	4,375	869,799	1,161	966,650
(Loss)/profit after taxation	–	–	–	(48,395)	58	(48,337)
Shares purchased for cancellation	(352)	–	352	(17,159)	–	(17,159)
Shareholders' funds at 31 December 2018	17,225	73,738	4,727	804,245	1,219	901,154

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

	2019	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Cash flow from operating activities				
Profit/(loss) before finance costs and taxation	**242,420**		(47,914)	
Adjustments for (gains)/losses on investments	**(245,174)**		50,436	
Purchase of investments	**(148,856)**		(153,429)	
Sale of investments	**193,007**		195,948	
Adjustment for other movements in investment gains	**(116)**		-	
Increase in other receivables	**(516)**		(337)	
Increase/(decrease) in other payables	**254**		(27)	
Amortisation of fixed income book cost	**(407)**		(127)	
Effect of foreign exchange rate changes	**3,119**		(2,048)	
Overseas tax on overseas income	**(136)**		(267)	
Net cash inflow from operating activities		**43,595**		42,235
Cash flow from financing activities				
Undrawn facility fee paid	**(156)**		(116)	
Shares purchased for cancellation	**(20,337)**		(17,177)	
Net cash outflow from financing activities		**(20,493)**		(17,293)
Increase in cash and cash equivalents		**23,102**		24,942
Cash and cash equivalents at start of year		**68,860**		41,870
Effect of foreign exchange rate changes		**(3,119)**		2,048
Cash and cash equivalents at end of year		**88,843**		68,860
Comprised of:				
Cash and cash equivalents		**88,843**		68,860

Cashflow from operating activities includes interest received of £1,429,000 (2018 - £849,000) and dividends received of £9,636,000 (2018 - £9,848,000).

As the Company did not have any long term debt at both the current and prior year ends, no reconciliation of the net debt position is presented.

INCOME

	2019 £'000	2018 £'000
Dividend income from investments		
UK dividends from listed investments	**3,179**	3,086
UK dividends from unlisted investments (inc AIM)	**3,437**	3,406
Overseas dividends from UK listed and AIM companies	**631**	708
Overseas dividend income	**2,659**	2,913
	9,906	10,113
Interest income from equity investments		
Income from unlisted (inc AIM) UK convertible bonds	**256**	263
Fixed interest		
Overseas interest from government securities	**1,170**	578
Other income		
Deposit interest	**395**	266
Underwriting commission	**8**	30
	403	296
Total income	**11,735**	11,250

Included within dividend income are special dividends of £37,000 (2018: £311,000).

Status

The Company is an investment company within the meaning of s833 of the Companies Act 2006 and operates as an investment trust in accordance with s1158 of the Corporation Tax Act 2010 as amended (s1158). The Company is subject to the Listing Rules of the Financial Conduct Authority and governed by its articles of association, amendments to which must be approved by shareholders by way of special resolution. The Company obtained approval from HM Revenue and Customs of its status as an investment trust under s1158 and the directors are of the opinion that the Company has and continues to conduct its affairs in compliance with s1158 since this approval was granted.

Objective

The Company's objective is to achieve capital appreciation through investments in smaller quoted companies in the areas of technology, media and telecoms ('TMT'). Investments may be made across the world. The business activities of investee companies will include information technology, broadcasting, printing and publishing and the supply of equipment and services to these companies.

Investment policy – strategy

While the policy is global investment in smaller quoted companies in TMT, the approach is to construct a diversified portfolio through the identification of individual companies which offer long term growth potential, typically over a five year horizon or more. The portfolio is actively managed and does not seek to track any comparative index. With a remit to invest in smaller companies with market capitalisation generally below $3bn, there tends to be a correlation with the performance of smaller companies, as well as those of the technology sector. A degree of volatility relative to the overall market should be expected.

The risk associated with the illiquidity of smaller companies is reduced by generally restricting the stake in any one company to less than 10% of the shares in issue. A number of investments are in early stage companies, which have a higher stock specific risk but the potential for above average growth. Stock specific risk is reduced by having a diversified portfolio of over 250 holdings. In addition, to contain the risk of any one holding, the manager generally takes profits when a holding reaches more than 5% of the portfolio. The manager actively manages the exposure within the constraint that illiquid positions cannot be traded for short term movements.

The Company has a policy not to invest more than 15% of gross assets in other UK listed investment companies.

From time to time, fixed interest holdings, non-equity or unlisted investments may be held on an opportunistic basis.

The Company recognises the long term advantages of gearing and has a maximum gearing limit of 50% of net assets. Borrowings are invested primarily in equity markets but the manager is entitled to invest in other securities in the companies in the target areas when it is considered that the investment grounds merit the Company taking a geared position. The board's intention is to gear the portfolio when appropriate. Gearing levels are monitored closely by the manager and reviewed by directors at each board meeting.

The Company may use derivatives which will be principally, but not exclusively, for the purpose of efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risk).

A detailed analysis of the Company's investment portfolio is set out on pages 22 to 28 of the annual report and in the investment manager's report.

Investment management agreement

The management of the Company and the implementation of its investment strategy is contracted to Herald Investment Management Limited ('HIML'). HIML is authorised and regulated by the Financial Conduct Authority both for investment management and as an Alternative Investment Fund Manager.

The management contract with HIML is subject to 12 months' notice by either party. The senior director of HIML with prime responsibility for the management of the Company's portfolio is Katie Potts, who is also a substantial shareholder of HIML Holdings Limited, the parent company of HIML. HIML is remunerated at an annual rate of 1.0% of the Company's net asset value calculated (excluding current year net revenue) using middle market prices. Compensation fees would only be payable in respect of this 12 month period if termination were to occur sooner. Careful consideration has been given by the board as to the basis on which the management fee is charged. The board considers that maintaining an appropriate level of ongoing charges for a specialist trust is in the best interest of all shareholders. The board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long term performance.

The board is of the opinion that the continued appointment of HIML as investment manager, on the terms agreed, is in the interests of shareholders due to the experience of the manager, the track record of performance and the quality of information provided to the board.

Purchase of own shares

At the AGM of the Company to be held on 17 April 2020, the Company will as usual be seeking authority to make limited purchases of the Company's ordinary shares. The Board considers buying back shares on an opportunistic basis.

Significant financial issues relating to the 2019 financial statements

The UK Corporate Governance Code requires us to describe any significant issues considered in relation to the financial statements and how those issues were addressed. While there were no significant issues, two matters of risk of particular focus at the balance sheet date were the risks that investments might not have been correctly valued or beneficially owned. No issues were discovered.

Principal risks and uncertainties

In accordance with the corporate objective of maximising capital appreciation the Company invests in securities on a worldwide basis. The Company makes use of gearing to achieve improved performance in rising markets. The Company's other financial instruments consist of cash and cash equivalents, short term debtors and creditors.

The main risks arising from the Company's financial instruments are:

A. Market Risk

- **(i)** Other price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movement;
- **(ii)** Interest rate risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates; and
- **(iii)** Foreign currency risk, being the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

B. Credit Risk

Being the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell investments held within the portfolio.

There were no past or impaired assets as of 31 December 2019 (31 December 2018 - nil).

The counterparties engaged with the Company are regulated entities and of high credit quality.

C. Liquidity Risk

Being the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

These risks and the policies for managing them have been applied throughout the year and are summarised below.

A. Market Risk

(i) **Other Price Risk**

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the manager in pursuance of the corporate objective. Listed securities held by the Company are valued at bid prices, whereas material unlisted investments are valued by the directors on the basis of the latest information in line with the relevant principles of the International Private Equity and Venture Capital Valuation Guidelines (Accounting Policy 1(c)). These valuations also represent the fair value of the investments.

Other Price Risk Sensitivity

20.4% of the Company's equity investments at 31 December 2019 (2018 – 17.6%) were listed on the main list of the London Stock Exchange and a further 37.4% (2018 – 41.3%) on AIM. The NASDAQ Stock Exchange accounts for 21.8% (2018 – 24.5%), New York Stock Exchange for 4.2% (2018 – 4.1%) and other stock exchanges or unlisted 16.2% (2018 – 12.5%). A 10% increase in equity investment prices at 31 December 2019 would have increased total net assets and profit & loss after taxation by £98,812,000 (2018 – £78,490,000). A decrease of 10% would have the exact opposite effect. The portfolio does not target any exchange as a comparative index, and the performance of the portfolio has a low correlation to generally used indices.

(ii) **Interest Rate Risk**

The majority of the Company's assets are equity shares and other investments which neither pay interest nor have a maturity date. However, the Company does hold convertible bonds and Government bonds, the interest rate and maturity dates of which are detailed below. Interest is accrued on cash balances at a rate linked to the UK base rate.

The Company had an undrawn £25 million multi-currency credit facility (1.55% + LIBOR) (2018: multicurrency loan: £nil) which expired on 31 December 2019. The aim of the use of gearing is to enhance long term returns to shareholders by investing borrowed funds in equities and other assets. Gearing was actively managed. How and where borrowings were invested was reviewed by the board in consultation with the manager at every board meeting. In light of the decisions made, appropriate adjustments to the gearing position were then made by the manager.

The interest rate risk profile of the financial assets and financial liabilities at 31 December was:

Financial Assets

	2019 Fair value £'000	**2019 Weighted average interest rate/ interest rate**	**2019 Weighted average period until maturity/ maturity date**	2018 Fair value £'000	2018 Weighted average interest rate/ interest rate	2018 Weighted average period until maturity/ maturity date
Fixed rate:						
US bonds	**45,108**	**1.3%**	**1.6 years**	46,785	1.6%	0.7 Years
UK convertible bonds	**2,646**	**7.9%**	**1.7 years**	4,341	6.1%	2.1 Years
Cash:						
Other overseas currencies	**33,908**	**0.8%**		35,218	0.7%	
Sterling	**54,935**	**0.0%**		33,642	0.0%	
	88,843			68,860		

The benchmark rate which determines the interest payments received on cash balances is the Bank of England base rate.

Interest rate risk sensitivity

a) Cash

An increase of 100 basis points in interest rates as at 31 December 2019 would have a direct effect on net assets. Based on the position at 31 December 2019, over a full year, an increase of 100 basis points would have increased the profit & loss after taxation by £888,000 (2018 – £689,000) and would have increased the net asset value per share by 1.32p (2018 – 1.00p). The calculations are based on the cash balances as at the respective balance sheet dates and are not representative of the year as a whole.

b) Fixed rate bonds

An increase of 100 basis points in bond yields as at 31 December 2019 would have decreased total net assets and profit & loss after taxation by £679,000 (2018 – £308,000) and would have decreased the net asset value per share by 1.01p (2018 - 0.45p). A decrease in bond yields would have had an equal and opposite effect. The convertible loan stocks having an element of equity are not included in this analysis as given the nature of the businesses and the risk profile of their balance sheets; they are considered to have more equity like characteristics.

iii. Foreign Currency Risk

The Company's reporting currency is sterling, but investments are made in overseas markets as well as the United Kingdom and the asset value can be affected by movements in foreign currency exchange rates.

Furthermore many companies trade internationally both through foreign subsidiaries, and through exports. The greatest foreign currency risk occurs when companies have a divergence in currencies for costs and revenues. A much less risky exposure to currency is straight translation of sales and profits. However the location of the stock market quote only has a limited correlation to the costs, revenues and even activities of those companies, and so this note should not be regarded as a reliable guide to the sensitivity of the portfolio to currency movements. For example, the holdings in the portfolio that have suffered most from US$ weakness are UK companies with dollar revenues and sterling costs.

The Company does not hedge the sterling value of investments that are priced in other currencies. Overseas income is subject to currency fluctuations. The Company does not hedge these currency fluctuations because it is impossible to quantify the effect for the reasons stated above. However, from time to time the manager takes a view by holding financial assets or liabilities in overseas currencies.

Exposure to currency risk through asset allocation by currency of listing is indicated below:

At 31 December 2019

	Investments £'000	**Cash and deposits £'000**	**Other receivables and payables £'000**	**Net exposure £'000**
US dollar	**307,531**	**20,389**	**4**	**327,924**
Norwegian krone	**14,202**	**4,300**	**-**	**18,502**
Korean won	**12,010**	**-**	**97**	**12,107**
Taiwan dollar	**19,111**	**5,416**	**-**	**24,527**
Euro	**50,049**	**3,803**	**67**	**53,919**
Australian dollar	**23,474**	**-**	**530**	**24,004**
Other overseas currencies	**20,739**	**-**	**7**	**20,746**
Exposure to currency risk on translation of valuations of securities listed in overseas currencies	**447,116**	**33,908**	**705**	**481,729**
Sterling	**586,110**	**54,935**	**75**	**641,120**
	1,033,226	**88,843**	**780**	**1,122,849**

At 31 December 2018

	Investments £'000	Cash and deposits £'000	Other receivables and payables £'000	Net exposure £'000
US dollar	269,358	24,077	200	293,635
Norwegian krone	6,265	4,537	-	10,802
Korean won	8,623	-	114	8,737
Taiwan dollar	15,598	1,569	-	17,167
Euro	37,293	5,033	153	42,479
Australian dollar	13,515	-	-	13,515
Other overseas currencies	12,640	2	2	12,644
Exposure to currency risk on translation of valuations of securities listed in overseas currencies	363,292	35,218	469	398,979
Sterling	468,388	33,642	145	502,175

	831,680	68,860	614	901,154

Foreign currency risk sensitivity

At 31 December 2019, had sterling strengthened by 10% (2018 – 10%) in relation to all currencies, with all other variables held constant, total net assets and profit & loss after taxation would have decreased by the amounts shown below based on the balances denominated in foreign currency. A 10% (2018 – 10%) weakening of sterling against all currencies, with all other variables held constant, would have had the exact opposite effect on the financial statement amounts. However, companies whose cost base diverges in currency terms from its sales will in the longer term have a significantly greater effect on valuation than simple translation. In the short term investee companies generally cover their currency exposure to varying degrees. There is insufficient publicly disclosed information to quantify this, but in the long term this effect is expected to dwarf simple translation of foreign listings in terms of both risk and reward, because many investee companies trade globally. Furthermore, the country of listing is not necessarily an indication of the geography of some or even any operational activities for investee companies. The Manager does not use financial instruments to protect against currency movements. From time to time financial leverage has been made using debt in overseas currencies.

	2019 £'000	2018 £'000
US dollar	**32,792**	29,363
Norwegian krone	**1,850**	1,080
Korean won	**1,211**	874
Taiwan dollar	**2,453**	1,717
Euro	**5,392**	4,248
Australian dollar	**2,400**	1,352
Other overseas currencies	**2,075**	1,264
	48,173	39,898

B. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment which it has entered into with the Company. The manager monitors counterparty risk on an ongoing basis.

The Company has investments in convertible loan stocks that have an element of equity. These securities are viewed as having a risk profile similar to the equity holdings. This is because the convertibles held are in nascent technology companies that may be loss making and may have weak balance sheets. For this reason these stocks are categorised as equity holdings and for risk management purposes excluded from the credit risk analysis.

Credit Risk Exposure

The exposure to credit risk at 31 December was:

	2019 £'000	2018 £'000
Fixed interest investments	**45,108**	46,785
Cash and cash equivalents	**88,843**	68,860
Other receivables	**1,995**	1,575
	135,946	117,220

During the year the maximum exposure in fixed interest investments was £65,604,000 (2018 – £46,785,000) and the minimum £24,292,000 (2018 – £28,000,000). The maximum exposure in cash was £107,727,000 (2018 – £103,191,000) and the minimum £35,395,000 (2018 – £41,543,000).

C. Liquidity Risk

The Company's policy with regard to liquidity is to provide a degree of flexibility so that the portfolio can be repositioned when appropriate and that most of the assets can be realised without an excessive discount to the market price.

Equity Securities

The Company's unlisted investments are not readily realisable, but these only amount to 1.3% of the Company's total assets at 31 December 2019 (2018 – 1.8%).

In practice, liquidity in investee companies is imperfect, particularly those with a market value of less than £100 million. To reduce this liquidity risk it is the policy to diversify the holdings and generally to restrict the holding in any one company to less than 10% of the share capital of that company. Furthermore the guideline is for no single investment to account for more than 5% of the assets of the Company.

The market valuation of each underlying security gives an indication of value, but the price at which an investment can be made or realised can diverge materially from the bid or offer price depending on market conditions generally and particularly to each investment. 17.1% (£166 million) (2018 – 22.0% (£183 million)) of the listed equities in the portfolio are invested in stocks with a market capitalisation below £100 million, where liquidity is expected to be more limited. If these stocks had on average a realisable value 20% below the bid price the value of the total fund would be adversely affected by 3.0% (2018 – 4.1%).

Liquidity Risk Exposure
Contractual maturities of the financial liabilities at the year end, based on the earliest date on which payment can be required are as follows:

	2019 One year or less £'000	2018 One year or less £'000
Other payables	**1,215**	961
	1,215	961

Fair Value of Financial Instruments
The Company's investments, as disclosed in the Company's balance sheet, are valued at fair value.

Nearly all of the Company's portfolio of investments are disclosed in the Level 1 category as defined in FRS102.

Categorisation is based on the lowest level input that is significant to the fair value measure in its entirety.

The three levels set out in FRS102 follow:

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The investment manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The analysis of the valuation basis for the financial instruments based on the hierarchy as at 31 December is as follows:

At 31 December 2019

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets				
Equity investments	**973,063**	-	**10,517**	**983,580**
Government debt securities	**45,108**	-	**-**	**45,108**
Convertible loan stocks	**-**	-	**4,538**	**4,538**
Total investments	**1,108,171**	**-**	**15,055**	**1,033,226**

At 31 December 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Equity investments	768,960	–	10,302	779,262
Government debt securities	46,785	–	-	46,785
Convertible loan stocks	-	–	5,633	5,633
Total investments	815,745	–	15,935	831,680

A reconciliation of fair value measurements in Level 3 is set out below:

AT 31 DECEMBER 2019	**£'000**
Opening balance at 1 January 2019	**15,935**
Purchases	**400**
Sales	**(257)**
Total losses	
- on assets sold during the year	**(322)**
- on assets held at 31 December 2019	**(526)**
Assets transferred during the year	**53**
Return of capital	**(228)**
Closing balance at 31 December 2019	**15,055**

Other risks

Other risks to the Company's model, future performance, solvency or liquidity include the following:

Regulatory risk – failure to comply with applicable legal and regulatory requirements could lead to suspension of the Company's Stock Exchange listing, financial penalties by the UKLA or a qualified audit report. Breach of s1158 could lead to the Company being subject to tax on capital gains. The manager, depositary and administrator provide regular reports to the audit committee on their monitoring programmes. The manager monitors investment positions and the manager and company secretary monitor the level of forecast income and expenditure.

Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation would be made to seek to ensure that special circumstances of investment trusts are recognised.

Operational/financial/custody risk – disruption to or failure of the administrator's accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. The Company is exposed to the operational and cyber risks of its third party service providers. The manager, administrator and company secretary each have comprehensive business continuity plans which facilitate continued operation of the business in the event of a service disruption or major disruption. The audit committee receives the administrator's report on internal controls and the reports by other key third party providers are reviewed by the manager and company secretary on behalf of the audit committee. The depositary reports six monthly on custody matters, including the continued safe custody of the Company's assets.

Emerging risk – failure to have in place procedures that assist in identifying new or familiar risks that become apparent in new or unfamiliar conditions. The audit committee reviews the risk map twice each year and the board regularly discusses industry trends and forthcoming legislation/regulatory change with its advisors, including the manager, the broker and company secretary. It also reviews regular updates from the AIC and the auditor on such matters.

Discount volatility – the discount at which the Company's shares trade can widen. The board monitors the level of discount and the Company has authority to buy back its own shares.

Gearing risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.

All borrowings require the prior approval of the board and gearing levels are discussed by the board and manager at every meeting. The majority of the Company's investments are in quoted securities.

Viability statement

The directors' view of the Company's viability has not changed since last year. The Company, as an investment trust, is a collective investment vehicle designed and managed for the long term. The directors consider that three years is an appropriate forward looking time period. This recognises the Company's current position, the investment strategy, which includes investment in smaller companies, some of which are early stage, where a three year horizon is a meaningful period over which to judge prospects, the board's assessment of the main risks that threaten the business model and the relatively fast moving nature of the sectors in which the Company invests. By definition, investment in smaller and early stage companies carries higher risks, both in terms of stock liquidity and longer term business viability and this risk is accepted by the board.

There are no current plans to amend the investment strategy, which has delivered good investment performance for shareholders over many years and, the directors believe, should continue to do so. The investment strategy and its associated risks are kept under constant review by the board.

In addition, it should be noted that under the Company's articles of association, shareholders have the opportunity to vote triennially on whether the Company should continue as an investment trust, so the longer-term viability statement is contingent upon shareholders voting to support any continuation vote falling within the relevant three year period. The next continuation vote will be at the AGM in 2022. At the AGM in April 2019, 99.88% of votes cast were in favour of continuation.

The directors confirm that, based on the above and on reviews conducted as part of the detailed internal controls and risk management processes set out in the annual report and financial statements, they have a reasonable expectation that the Company will continue to maintain its status as an investment trust, to implement its investment strategy and to operate and be able to meet its liabilities as they fall due for at least the next three financial years. Their consideration also takes into account the Company's projected income and expenditure and, when applicable, financing arrangements.

Directors' responsibility statement pursuant to DTR4

Each of the directors confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and loss of the Company;

- the annual report and financial statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces and the directors' report contains those matters required to be disclosed by applicable law; and

- they consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Copies of the Company's annual report and financial statements will be available from the Company's registered office or at www.heralduk.com once published on 11 March 2020.

On behalf of the board
Law Debenture Corporate Services Limited
Company Secretary
18 February 2020